

**REPORT OF THE AUDIT OF THE  
FORMER HARDIN COUNTY  
SHERIFF**

**For The Period January 1, 2002  
Through January 5, 2003**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER HARDIN COUNTY SHERIFF**

**For The Period January 1, 2002  
Through January 5, 2003**

The Auditor of Public Accounts has completed the former Hardin County Sheriff's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

The former Sheriff's statement of receipts and disbursements reflected gross receipts of \$2,171,351 and total disbursements of \$95,173, resulting in net receipts of \$2,076,178. This amount was properly paid to the State Treasurer (\$1,880,939 Operating Fund and \$195,239 County Fund).

The former Sheriff's statement of receipts, disbursements, and fund balances of the Sheriff's Operating Fund and County Fund with the State Treasurer reflected the following:

#### **Operating Fund -**

Beginning fund balance as of January 1, 2002 of \$47,274, receipts of \$1,880,939, disbursements of \$1,928,213 and ending fund balance as of January 5, 2003 of \$0.

#### **County Fund -**

Beginning fund balance as of January 1, 2002 of \$0, receipts of \$195,239, disbursements of \$195,239 and ending fund balance as of January 5, 2003 of \$0.

#### **Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Harry Berry, County Judge/Executive  
Honorable Martha Thomas, Former Hardin County Sheriff  
Honorable Charlie Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the former County Sheriff of Hardin County, Kentucky, and the statement of receipts, disbursements, and fund balances of the former County Sheriff's operating fund and county fund with the State Treasurer for the period January 1, 2002 through January 5, 2003. These financial statements are the responsibility of the former County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the former County Sheriff and the receipts, disbursements, and fund balances of the former County Sheriff's operating fund and county fund with the State Treasurer for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Harry Berry, County Judge/Executive  
Honorable Martha Thomas, Former Hardin County Sheriff  
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In accordance with Government Auditing Standards, we have also issued our report dated July 17, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 17, 2003



HARDIN COUNTY  
 MARTHA THOMAS, FORMER COUNTY SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Period January 1, 2002 Through January 5, 2003

Receipts

State Grants:

Juvenile Grant	* \$ 19,061	
KLEFPF Incentive Pay	* <u>109,682</u>	\$ 128,743

State Fees for Services:

Finance and Administration Cabinet	* \$ 241,153	
Cabinet for Human Resources	* <u>34,279</u>	275,432

Circuit Court Clerk:

Sheriff Security Services	* \$ 155,009	
Fines and Fees Collected	17,953	
Court Ordered Payments	<u>1,999</u>	174,961

Fiscal Court	*	530,458
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County Clerk	*	11,295
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Commission on Taxes	*	713,615
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Fees Collected for Services:

Auto Inspections	\$ 45,774	
Accident and Police Reports	* 921	
Serving Papers	91,923	
Carrying Concealed Deadly Weapon Permits	25,795	
Advertising Fees - Taxes	* 10,594	
Sheriff's Add-On Penalties - Taxes	101,844	
Sheriff's Tax Collection Fees	* 6,289	
Mortgage Company	1,467	
Executions	<u>33,264</u>	317,871

Other Receipts:

Interest Earned	\$ 14,809	
Invoice Repayments	* 3,446	
Miscellaneous	<u>721</u>	<u>18,976</u>

Total Receipts		\$ 2,171,351
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The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 MARTHA THOMAS, FORMER COUNTY SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 For The Period January 1, 2002 Through January 5, 2003  
 (Continued)

Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$ 20,515
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Other Disbursements:

Executions	\$ 23,288	
Extraditions	50,098	
Advertising	<u>1,272</u>	<u>74,658</u>

Total Disbursements		<u>\$ 95,173</u>
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Net Receipts	\$ 2,076,178
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Payments to State Treasurer:

75% Operating Fund	\$ 1,880,939	
25% County Fund	<u>195,239</u>	<u>2,076,178</u>

Balance Due at Completion of Audit	<u><u>\$ 0</u></u>
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\*Includes reimbursed expenses and fiscal court supplements to the Sheriff of \$1,302,225 for the audit period. See Note 1 to the financial statements.

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 MARTHA THOMAS, FORMER COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER

For The Period January 1, 2002 Through January 5, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2002	\$ 47,274	\$	\$ 47,274
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,880,939		1,880,939
Fees Paid to State - County Funds (25%)		195,239	195,239
Total Funds Available	\$ 1,928,213	\$ 195,239	\$ 2,123,452
<u>Disbursements</u>			
Hardin County Government	\$	\$ 195,239	\$ 195,239
Personal Services-			
Officials Statutory Maximum	77,082		77,082
Deputies' Salaries	1,065,816		1,065,816
Employee Benefits-			
Social Security	77,905		77,905
Retirement	183,433		183,433
Health Insurance	67,989		67,989
Life Insurance	1,125		1,125
Contracted Services-			
Advertising	12,459		12,459
Pager Service	438		438
Administrative Services	1,153		1,153
Materials and Supplies-			
Office Materials and Supplies	16,406		16,406
Uniforms	7,985		7,985
Uniform Maintenance	6,043		6,043
Law Enforcement Supplies	8,279		8,279

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 MARTHA THOMAS, FORMER COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE  
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER  
 For The Period January 1, 2002 Through January 5, 2003  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Auto Expenses-			
Gasoline	\$ 34,600	\$	\$ 34,600
Maintenance and Repairs	30,412		30,412
Tires	7,959		7,959
Other Charges-			
Bonds, Insurance, and Dues	54,376		54,376
Postage	25,528		25,528
Telephone	21,054		21,054
Data Processing	9,903		9,903
Video Arraignment	8,229		8,229
Radio Maintenance	4,917		4,917
Equipment Maintenance	756		756
Mileage	9,358		9,358
Transporting Prisoners	880		880
Training	1,760		1,760
Canine Care	686		686
Parking Fees	220		220
Miscellaneous	891		891
Capital Outlay-			
Vehicles	150,926		150,926
Office Equipment	31,727		31,727
Close Imprest Account	7,918		7,918
Total Disbursements	\$ 1,928,213	\$ 195,239	\$ 2,123,452
Fund Balance - January 5, 2003	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
January 5, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bonds which named the former Sheriff as beneficiary/obligee on the bonds.

Note 4. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Hardin County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). Under the program, grant funding is available as incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training. During the period January 1, 2002 through January 5, 2003, the Hardin County Sheriff's office received and expended \$109,682 of these funds.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
January 5, 2003  
(Continued)

Note 5. DARE Fund

The former Sheriff maintained a Drug Awareness Resistance Education (DARE) Fund, which had a beginning balance of \$534. During the period January 1, 2002 through January 5, 2003, receipts of the DARE Fund were \$2,055 and disbursements were \$0, leaving a balance at January 5, 2003 of \$2,589. The DARE fund was turned over to the current Sheriff.

Note 6. Drug Fund

The former Sheriff maintained a drug fund, which had a beginning balance of \$1,783. During the period January 1, 2002 through January 5, 2003, receipts were \$0 and disbursements were \$100, leaving a balance at January 5, 2003 of \$1,683. The drug fund was turned over to the current Sheriff.

Note 7. Triad Fund

The former Sheriff maintained a TRIAD fund, which had a beginning balance of \$384. During the period January 1, 2002 through January 5, 2003, receipts were \$500 and disbursements were \$569, leaving a balance at January 5, 2003 of \$315. TRIAD is an organization of local law enforcement agencies and senior citizens to reduce crime against the elderly. The TRIAD fund was turned over to the current Sheriff.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Members of the Hardin County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the former Hardin County Sheriff for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated July 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Hardin County Sheriff's financial statements for the period January 1, 2002 through January 5, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 17, 2003

